

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

AR15



**REPORT AND
ACCOUNTS FOR THE
YEAR ENDED
THE THIRTY FIRST
OF MAY 1966**

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

JAN - 7 1967

SUMMARY OF RESULTS 31ST MAY 1966

	1966	1965
	£	£
Sales	46,755,000	41,778,000
Profit before Taxation	2,802,370	2,732,219
Profit earned for Shareholders	1,571,617	1,525,546
Ordinary Dividend net	—	699,985
Ordinary Dividend gross	1,191,463	—
Rate of Dividend	13%	13%



**REPORT AND
ACCOUNTS FOR THE
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THE THIRTY FIRST
OF MAY 1966**

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

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DIRECTORS

H. C. B. Berens, M.C., *Chairman*
The Hon. F. F. G. Hennessy, M.B.E., *Deputy Chairman*
D. B. E. Belson
R. H. Cobbold
P. A. S. Dauthieu
T. G. Fogden
A. R. D. Gilbey, C.B.E.
Sir Derek Gilbey, Bt.
The Hon. J. H. P. Gilbey
W. A. Gilbey
R. A. Gold
J. G. Grinling
G. M. Hallows
R. A. M. Hart (*American*)
K. B. M. J. Hennessy (*French*)
J. K. Peppercorn
K. Stevens

SECRETARY AND REGISTERED OFFICE

F. E. Lee, F.C.I.S.
1 York Gate, London, N.W.1

AUDITORS

Turquand, Youngs & Co.
4 Coleman Street
London, E.C.2

REGISTRARS

Glyn, Mills & Co.
Salisbury Square House
Salisbury Square
London, E.C.4

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

NOTICE OF MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the Company will be held at The Carlton Tower, Cadogan Place, Sloane Street, London, S.W.1, on Thursday, 29th December, 1966, at 12 o'clock noon for the following purposes:

- 1 To receive and adopt the Profit and Loss Account and Balance Sheet for the year ended 31st May, 1966, and the Reports of the Directors and of the Auditors thereon.
- 2 To declare a dividend.
- 3 To elect Directors in place of those retiring.
- 4 To fix the remuneration of the Auditors.
- 5 To transact any other business which may be transacted at an Annual General Meeting.

Ordinary Shareholders only are entitled to attend and vote at this Meeting.

A member entitled to attend and vote at this Meeting is entitled to appoint one or more proxies to attend and vote on his or her behalf. A proxy need not also be a member of the Company.

By Order of the Board,
F. E. LEE,
Secretary.

Subject to confirmation of the proposed Ordinary Dividend, warrants will be posted on 16th January, 1967.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting herewith to the Shareholders their Annual Report with the Accounts of International Distillers & Vintners Limited for the year ended 31st May, 1966, together with the Consolidated Accounts of the Group for the same period.

	£	£
The Consolidated Profit attributable to the Group after taxation is		1,571,617
Appropriations made and recommended:		
Dividends on Preference Shares to 31st May, 1966, have been paid		
6 per cent Cumulative Redeemable Preference Shares	5,490	
6 per cent Cumulative Second Preference Shares	43,200	
An Interim Dividend of 4 per cent on the Ordinary Shares has been paid, amounting to	366,604	
It is proposed to pay a Final Dividend of 9 per cent on the Ordinary Shares in respect of the year to 31st May, 1966, which will absorb	824,859	
	1,240,153	
Less Income Tax retained	11,716	
	1,228,437	
Debenture Redemption Sinking Fund	2,275	
Capital Reserve	4,503	
		1,235,215
		336,402
Unappropriated profit brought forward		2,112,747
Leaving a total carry forward of		£2,449,149

Mr. K. B. M. J. Hennessy retires under Article 105 but, being eligible, offers himself for re-election.

Mr. T. G. Fogden, having joined the Board since the last Annual General Meeting, retires under Article 113. His re-election will be proposed at the Annual General Meeting.

During the year £3,000,000 of Unsecured Loan Stock, bearing interest at 7½ per cent, has been issued.

The close company provisions of the Finance Act 1965 do not apply to the Company.

Messrs. Turquand, Youngs & Co. have signified their willingness to continue in office as auditors.

By Order of the Board, F. E. LEE, Secretary.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

CHAIRMAN'S STATEMENT

THE ACCOUNTS

The Accounts for the year are again presented in substantially the same form as last year, but as you will see, we have gone some way towards meeting the requirements of the draft Companies Bill published during the year and which may become law during the current year.

We have also included some additional statistical information this year which we think will be of interest to shareholders and will give them a better idea of how the Group has progressed. Last year, we included a supplement on the Group's exporting activities which form such an important part of our trade and which contribute so handsomely to the country's economy. This year the supplement deals with the Group overseas companies which also form a very important part of our trade and are also substantial foreign exchange earners. The information contained in this supplement will I think be of interest to shareholders and will for the first time give them informative facts about these important contributors.

DIRECTORS

During the year Mr. T. G. Fogden joined the Board, and you will be asked to confirm this appointment. Mr. Fogden joined our subsidiary company in Canada, W & A Gilbey (Canada) Ltd., in 1933, and has been President since 1963. The tremendous success this company has had and the growth it has shown in more recent years is undoubtedly due to Tom Fogden's drive and foresight and the very able team he has built around him. He has an extensive knowledge of and great experience in the whole North American liquor trade where so much of our profits are made, and therefore his advice direct to the parent Board will be most useful.

CONSOLIDATED BALANCE SHEET

During the year we took the opportunity of partially funding the Group bank overdraft. We issued £3,000,000 7½ per cent Unsecured Loan Stock 1987/92, the proceeds of which after

expenses went to reduce the overdraft. At the time of the issue it may have seemed that a 7½ per cent coupon for 25 years was a rather high rate for a company of our standing to have to pay, but subsequent events have shown that we were wise in our timing and with the protracted credit squeeze now before us we are pleased that we acted when we did. As you will see, the overdraft figure this year is £4,424,975 as compared with £5,619,157 last year. Of this year's figure £2,676,016 is in respect of United Kingdom borrowings and £1,748,959 borrowings locally by overseas companies.

In spite of the receipt of the proceeds of the Loan Stock issue, overall bank borrowing is only down by £1,194,182. This is due partly to duty increases during the year both here and in certain other countries where we carry stocks, which means the cost of our stocks is higher, and partly to the increase in sales by volume. Increased sales have to a large extent to be backed by increased stocks, and this is the reason why the stock figure has increased from £14,530,544 to £16,374,104.

SALES

Group sales for the year (excluding Overseas sales under Royalty arrangements) were again a record at £46,755,000 compared with £41,778,000 last year, namely an increase of 12 per cent. You will see this figure shown as the first item in the Consolidated Profit and Loss Account.

Sales have increased every year since the merger, but it must be doubtful if they can show an overall increase again this year. While we expect export and overseas sales to continue to expand, we can only, under existing conditions, look for a very difficult time at home.

PROFITS AND DIVIDENDS

The Consolidated profit for the year after all charges but before minority interests, taxation, and the cost of the Preference dividends, amount to £2,802,370 compared with £2,732,219 last year. Taxation absorbed £1,197,272, including corporation tax,

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

against a figure last year of £1,119,171. After deducting tax and net minority interests there is a balance of £1,571,617.

An interim dividend of 4 per cent for the year to 31st May, 1966 was paid in August. Your Board now recommend the payment of a final dividend of 9 per cent less income tax at 8s. 3d. in the pound making a total dividend for the year of 13 per cent, which is the same as last year.

Under the new tax arrangements, the income tax at 8s. 3d. in the pound on all dividends paid during the year has to be paid over to the Inland Revenue instead of being retained by the Company as in the past. This tax and the net amount of the dividends takes £1,240,153. After deducting this figure from the balance of £1,571,617, and after making several minor appropriations, and bringing in the carry forward from last year of £2,112,747, there is a balance carried forward of £2,449,149, being an increase of £336,402.

GENERAL OBSERVATIONS ON RESULTS

With depressing regularity over the years, the majority of Chairman's Statements seem to point out that "the year under review has been a difficult one". I said it last year and I am afraid I have to say it again this year. In spite of the difficult trading conditions at home, profits as already stated were up on last year. This was achieved because so much of our profit comes from export and overseas activities the greater part of which is conducted in those areas with a booming economy, namely the United States, Canada and South Africa.

The steady worsening of the economy at home, increased taxation both direct and indirect, and intensified competition, has had a serious effect on profits from all home based activities. The retail shops owned by United Vintners, our traditional wine merchants business, and Gilbey Twiss have all found conditions very difficult, and this was of course before the latest dose of the credit squeeze, various punitive deflationary measures, increased duty charges, and the coming into operation of a price freeze and the Selective Employment Tax.

GROUP TRADING

The following is a short review of how the main components in the Group fared during the year.

THE GILBEY GROUP (HOME TRADE)

Despite duty increases at increasingly rapid intervals (including the imposition of T.C.I.) the rising curve of spirit, and particularly wine, consumption was not noticeably affected until the increase in the 1965 Budget. For the first time, consumption of most types fell during the calendar year. However, sales rose again in the first half of 1966 before the jolt of a further surcharge in July.

During this financial year Gilbey Twiss, although not reaching its pre-budget forecasts, showed improved case sales. Smirnoff Vodka did well to increase on its previous year's figures in the face of generally static spirit market and intensified brand competition. During the year, we launched after encouraging test marketing, an exciting new brand in the competitive field of sherry, Croft Original Pale Cream. Its reception by the Trade has been very good and we are confident of its proving very popular with the public.

We have pruned and reshaped our sales force, but increasing expenses generally are not easy to combat in this market where the fantastic duty rates (37s. per bottle of whisky) dictate low profit margins which are themselves threatened by various factors. These include a greater degree of price competition and a further consolidation of the large retail groups.

GILBEY GROUP (EXPORTS)

During the year, two Catto brands of Scotch whisky in a repackaged form were reintroduced to the American market and elsewhere through a new organisation, and already the indications are that this will develop into a very profitable business. The brands are a standard aged whisky with a character mid-way between the now popular light whiskies and the

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

more traditional Scotch whiskies, and also a high quality 12 year old brand.

Sales of this Division's other main products including gin, vodka, ports and sherries to its many other markets throughout the world showed an overall increase.

Royalty receipts which are mainly in connection with Gilbeys Gin again showed an increase both in America and other countries where these arrangements are in force. World sales of Gilbeys Gin are now approaching the 3,000,000 cases mark.

OVERSEAS COMPANIES

W. & A. Gilbey (Canada) Limited had a record year. The expansion of the Company's manufacturing capacity is continuing according to plan and additional land and premises have been acquired adjacent to the distillery. With the further increased output and the continuance of a buoyant economy we feel confident of increased profits in the future from this source.

Gilbey's branches in Australia and New Zealand are being converted into limited companies with appropriate capitals all owned by Gilbeys Ltd. and are now styled Gilbeys Australia Pty. Limited and Gilbeys New Zealand Ltd. Mr. Bill Kilby, formerly Vice-President of the International Division of Heubleins, Inc., who has been known to your Board for many years, is being appointed Managing Director of the Australian Company and is taking up his appointment this year.

The heavy increase in duty last August has had a depressing effect on the liquor trade in Australia and the branch profits for the year were slightly down on the previous year. However, trade now appears to be improving and again, with a buoyant economy and with the knowledge and marketing experience that Mr. Kilby will provide, we look for better results in the future. The New Zealand branch returned profits slightly in excess of those of last year.

Gilbeys (South Africa) which as reported before has been going

through a difficult period in the last few years, would now appear to have established itself as a good contributor of profits. The steps that were taken to strengthen the Company's management, administration and accounting are now paying off, and with the prosperous state of the Republic now looking assured for some time to come we can expect a really worthwhile contribution of profits from this subsidiary in the future.

J & B RARE SCOTCH WHISKY

I know you will be pleased to hear that this trump card in our pack again had case sales both to America and many other countries well in excess of last year. Actual case sales in America as reported can be misleading as officially published figures in New York are on the whole not up to date. Trade press forecasts are based on those figures plus intelligent guess and all whisky statistics are based on the calendar year whereas our sales are based on our financial year. I can tell you however, that sales of this brand are now being established at the 2,000,000 cases per annum figure, and our prospective planning is in excess of that figure.

During the year, as reported in the Press, Paddington Corporation, the sole importers of the brand, was acquired by Liggett & Myers, one of the big cigarette and tobacco companies in America. This was basically a diversification investment by Liggett & Myers and there is no intention of disturbing the present management of Paddington which has been entirely responsible for the extraordinary success of the brand. Your Board are very happy with the association with Liggett & Myers and feel confident that with their great experience in marketing, albeit in a different commodity, any advice they give can only be beneficial to Paddington and therefore the brand.

The Scotch Inventories operation is working smoothly and the first year's purchases which will be available to us in 1969 were acquired at prices and costs in line with the original forecasts.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

TWISS & BROWNINGS & HALLOWES (EXPORT) LTD

The profits of this Export Agency Company have again risen, though due to fluctuations in the economies of the twenty or so markets in which it represents Hennessy Brandy and Heidsieck Dry Monopole Champagne, the actual sales have shown a slight decline.

The traditional importance of South East Asia as a Brandy market attracts ever increasing competition from rival brands of Cognac, and it is encouraging to note that in spite of this Hennessy is maintaining a very high percentage of the total sales. The overall position of our Champagne sales shows a slight increase.

The ending of the 'confrontation' between Malaysia and Indonesia should gradually lead to a more stable condition in that part of the world. Nevertheless, in the short term, the gradual withdrawal of the armed forces may result in a small decrease in local consumption.

UNITED VINTNERS LIMITED

The results of this Company have suffered from the very difficult conditions prevailing in the Home trade. At the busiest time of the year, that is over the Christmas period, results were satisfactory, but in the remainder of the year although turnover showed an increase on the previous year, this has not been sufficient to offset the reduced gross margins which followed the abandonment of Resale Price Maintenance. We have continued our efforts to expand wine sales with satisfactory results, but it cannot be expected that the increase here can yet be sufficient to counterbalance the loss in gross profit on spirits. I referred last year to our branded table wine Carafino, and I am pleased to be able to tell you that its sales have continued to expand and we have great confidence in its future.

We have continued the policy of modernising and re-designing our branches whenever opportunity offers, and a number of branches have now been completed by the Design Consultants we appointed last year.

Considerable economies have been effected during the year by a continued process of rationalisation, and it is expected that the integration of the marketing and administration organisations will be completed during the current year. It has been decided to install the IDV computer at Wembley, and while this will at a later date be used to provide a service to all IDV companies, its initial use will be for United Vintners where it is expected to be of particular assistance on stock control and sales forecasting.

FINE WINE TRADE

The conditions affecting this group of companies, as outlined in my Statement last year, in no way changed for the better in the year under review, in fact they found profits even more difficult to come by. The new duty increase and other deflationary measures will affect these companies very severely in the current year.

We do believe there is a role for the specialist wine merchant to play in this modern age and they will come into their own again. As I said last year, we are still of the opinion that this section of the trade is an essential part of our portfolio.

We are therefore working on plans which we hope will make operations more profitable without the companies concerned losing their image or specialist function.

OTHER ACTIVITIES

The following gives some facts about other Group interests. Last year I mentioned the formation of Wine Selection (International) Ltd. This Company has made a successful start and the indications are that it can fulfil a useful function and in due course make a worthwhile contribution to profits.

Since the end of the financial year we have started to convert the organisation based on our property in the Medoc area of Bordeaux, Chateau Loudenne, into a Société Anonyme, the equivalent here of a limited company. This will enable it to trade in France and obtain local finance as well as at present buying and storing Bordeaux wines for sale to the various

companies in the Group. I think shareholders would be interested to know that the wines from our vineyard, both red and white sold as Chateau Loudenne, have improved in quality considerably in the last few years and in many experts' views are very much better than "grand cru bourgeois wines" under which they are classified. The wines can be obtained from any of our retail outlets at very reasonable prices.

In more recent reviews I have not referred to Croft et Ca. Limitada (Portugal), our Port producing subsidiary in Oporto. Croft is of course one of the big names in port. In years when a vintage wine is shipped the company makes a very good profit as all vintage port is readily sold on the English market at very good prices. In non-vintage years profits in the last few years have been only moderate. However, as a result of an energetic sales drive particularly on the Continent and in France, which is one of the largest consumer countries of non-vintage ports, sales have been increasing satisfactorily.

PROSPECTS

I have the greatest confidence in the future of the Group and believe that in due course trading conditions and situations will improve at home. By good management, energetic selling and improved marketing techniques, and strongly supported by our export and overseas activities, overall we have managed to increase sales and up to the present achieved reasonable profit growth. However it is not possible in any way to be optimistic about the current year on the home trade side. All

the steps taken by the government in the last two years would seem directly aimed at a trade such as ours. The measures adopted in July and the avowed intention of producing a long and biting deflationary period must affect our home trade very severely coming as it does on top of all the other measures with which we have had to cope. The Selective Employment Tax is another unexpected adverse factor and although some of the cost can be passed on in increased prices, it is bound to have an adverse effect on profitability. While it is hoped that certain of the Group activities will be classified as manufacturing, there is no doubt that a very considerable part is non-manufacturing. Therefore it is too early yet to estimate a net cost but it will almost certainly be a substantial figure.

With all this gloom at home we are fortunate that such a large proportion of our present earnings is derived from sources outside this country and with a substantial amount of those earnings coming from countries who seem to manage their affairs better than we do here. All the indications are that we can expect profits from these export and overseas activities to show further expansion this year, particularly profits from the sales of J. & B. Rare Whisky in America. I would expect these increases to offset the expected decreases at home.

The first four months' figures to 30th September, 1966, which I hope will be available by the time of the Annual General Meeting, will not give a true indication as all the latest measures will not really have had time to become effective. It will be the second period covering the Christmas trade that will give the real indication.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

COMPARISON OF ANNUAL CONSOLIDATED SALES AND PROFITS AND SHARE CAPITAL, RESERVES AND TOTAL INTEREST OF MEMBERS

Year to 31st May	1963	1964	1965	1966
	£	£	£	£
Sales	28,584,000	33,975,000	41,778,000	46,755,000
Trading and Investment Income	3,273,516	3,083,703	4,201,659	4,205,388
Less Debenture and Loan Interest	169,607	185,055	166,432	205,783
Bank Interest and Acceptance Credit Charges	153,493	270,343	593,279	457,816
Depreciation	290,228	377,334	479,325	503,749
Directors' Remuneration	227,256	208,536	230,404	235,670
	840,584	1,041,268	1,469,440	1,403,018
Profit before Taxation	2,432,932	2,042,435	2,732,219	2,802,370
Taxation	1,229,548	1,007,183	1,119,171	1,197,272
Minority Interests	21,043	4,038	87,502	33,481
Profit attributable to International Distillers and Vintners Limited	1,224,427	1,039,290	1,525,546	1,571,617
Less Preference Dividends Net (Gross 1966)	27,618	29,823	29,315	48,690
Profit earned for Ordinary Shareholders	1,196,809	1,009,467	1,496,231	1,522,927
Issued Ordinary Share Capital	8,510,451	8,510,451	9,165,101	9,165,101
Issued Preference Share Capital	811,500	811,500	811,500	811,500
Reserves and Unappropriated Profit	6,883,653	7,476,836	7,727,432	8,013,731
Net total Interest of Members	£16,205,604	£16,798,787	£17,704,033	£17,990,332
Ordinary Dividend Net	677,645	677,645	699,985	—
Ordinary Dividend Gross	—	—	—	1,191,463
Rate of Dividend paid	13%	13%	13%	13%

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

COMPARISON OF CONSOLIDATED BALANCE SHEETS

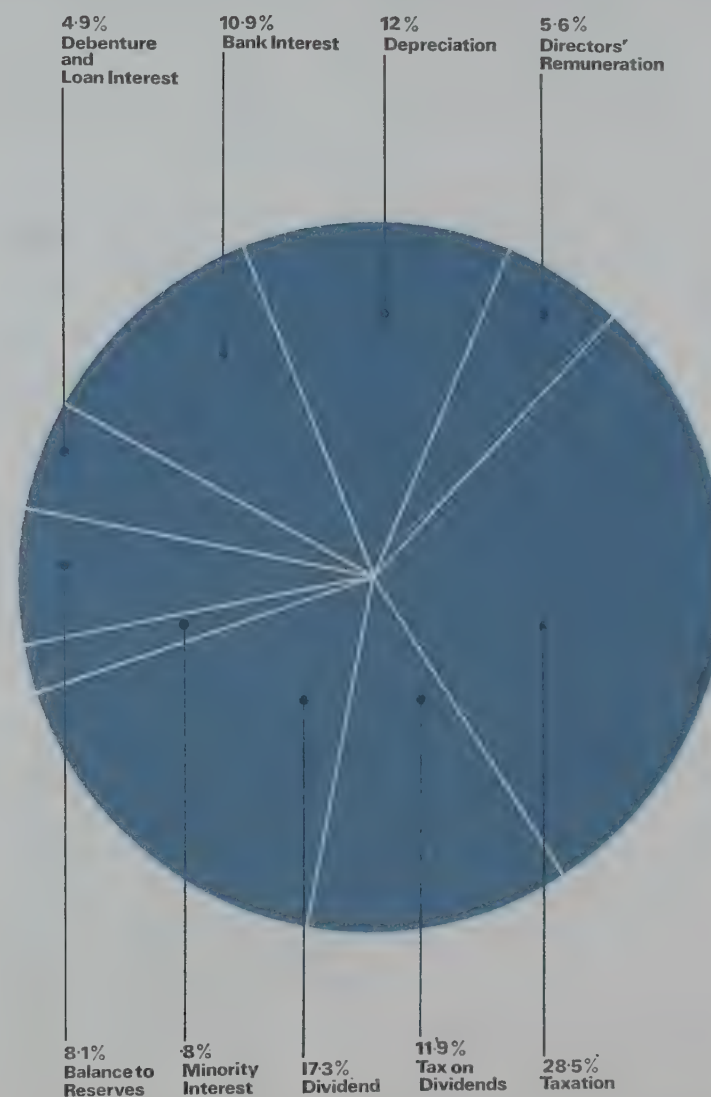
Year to 31st May	1963	1964	1965	1966
	£	£	£	£
Fixed Assets	6,018,744	7,517,852	*10,143,229	10,337,162
†Net Current Assets	8,244,547	7,885,553	7,239,829	10,247,055
	<u>14,263,291</u>	<u>15,403,405</u>	<u>17,383,058</u>	<u>20,584,217</u>
Less Deferred Liabilities and Future Tax	1,088,819	997,831	334,306	317,558
	<u>13,174,472</u>	<u>14,405,574</u>	<u>17,048,752</u>	<u>20,266,659</u>
Less Loan Capital	3,264,851	3,180,547	3,155,866	6,120,868
Net Tangible Assets	9,909,621	11,225,027	13,892,886	14,145,791
Goodwill and Cost of Control of Subsidiaries	6,399,672	7,104,352	*5,425,145	5,405,820
	<u>16,309,293</u>	<u>18,329,379</u>	<u>19,318,031</u>	<u>19,551,611</u>
Less Interest of outside Shareholders in Subsidiaries	103,689	1,530,592	1,613,998	1,561,279
Total Assets	<u>16,205,604</u>	<u>16,798,787</u>	<u>17,704,033</u>	<u>17,990,332</u>
†Includes:				
Stocks	12,441,921	14,642,870	14,530,544	16,374,104
Net Bank Borrowings and Acceptance Credits	<u>3,351,307</u>	<u>6,009,565</u>	<u>6,143,453</u>	<u>4,769,975</u>

*Freehold properties were revalued in 1965 and the surplus amounting to £1,725,316 was applied in reduction of Goodwill and cost of control of subsidiary companies.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

WHERE THE TRADING PROFIT WENT

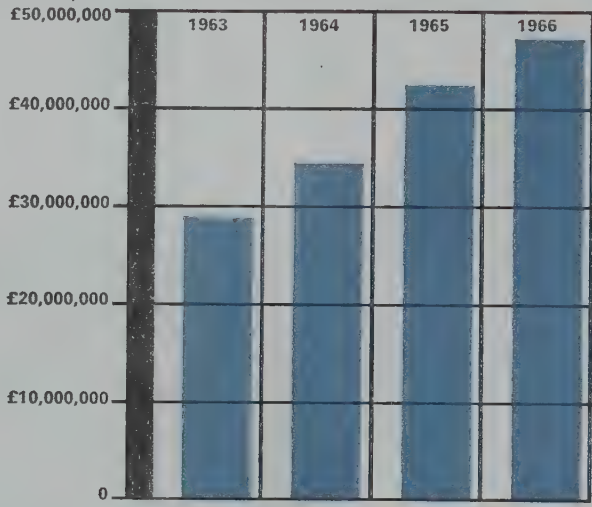
	£	
TRADING AND INVESTMENT PROFIT	4,205,000	= 100%
Debenture and Loan Interest	206,000	4.9
Bank Interest	458,000	10.9
Depreciation	504,000	12.0
Directors' Remuneration	235,000	5.6
Company Taxation	1,197,000	28.5
Dividends	£ 728,000	17.3
Tax thereon	500,000	11.9
	1,228,000	
Minority Interests	34,000	.8
Balance to Reserves	343,000	8.1
	<u>£4,205,000</u>	<u>100.0</u>



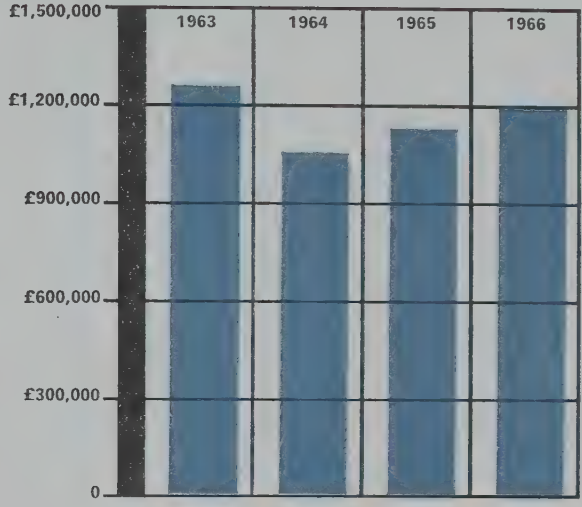
INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

**GRAPHS SHOWING
GROUP SALES,
PROFITS AND
TAXATION**

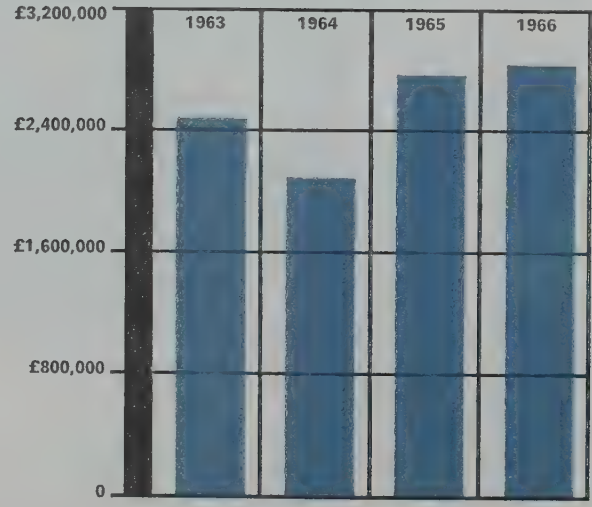
**Group
Sales**



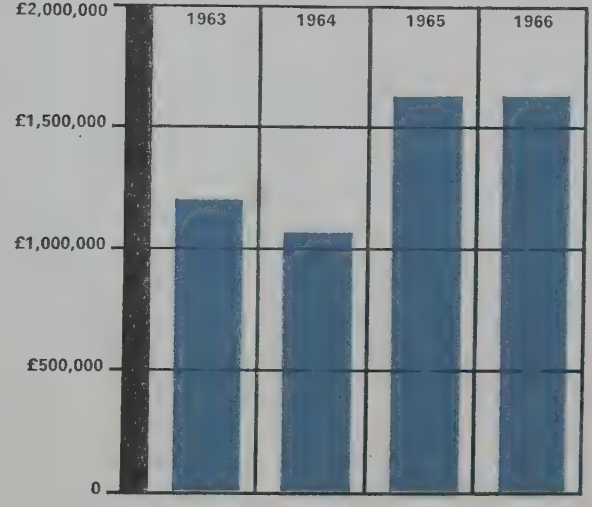
Taxation



**Profits
before
Taxation**



**Profits
after
Taxation**



INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

ANNUAL REPORT SUPPLEMENT



IDV
PRODUCTION
OVERSEAS
THE WORLD
PICTURE

IDV PRODUCTION ABROAD



Each year the supplement to our annual report will give shareholders a specially detailed look at one of the more important parts of the group's business. In our last edition we dwelt, not without pride, on those products which make up our export world. But the Gilbey section of the group has long been expert in the art of leap-frogging directly into the really profitable territories and establishing these brands on equal grounds with the local competition. Of course, we often find ourselves 'more equal than others' owing to the vast stores of experience and individual expertise that have been accumulated. Often our most important export has been a man who has used his experience and the resources of headquarters to develop a genuinely local enterprise that has been profitably integrated into the group pattern.

The map on the left shows those countries which we shall deal with in this supplement. Here fully fledged companies with resident directors and executives produce and market their brands; brands which may be internationally famous or which may have been specially developed for the needs of the local market. An international marketing department operates from Head Office to co-ordinate the flow of information to and from all these territories and members of the IDV Main board make regular visits to each company.

It is useless to try and separate these individual local activities from the broader pattern of IDV trading, as you will find when reading the individual stories. Here a local company acts as manufacturer and distributor of a world famous group brand; elsewhere a Gilbey company may be agent for a product with which we compete in every other part of the world. The pattern may sometimes be tangled, but it is nonetheless a pattern—and a very profitable one at that.

SUCCESS FOR GILBEY'S AUSTRALIAN WHISKY

Gilbey's started selling Gin to Australia in the mid 1880's—this was one of the very first export territories. Australia was equally quick to take up the theme of local production; in 1927 a bottling plant was set up in West Melbourne to handle bulk gin. Local distillation started in 1936 with a full scale distillery in Moorabbin, a southern suburb of Melbourne, and was extended in 1946 by the acquisition of Milne & Company of Adelaide, the oldest distilling company in Australia.

This acquisition made possible the creation of a new Australian whisky, 'Bond 7', blending the malts produced in Adelaide with the grain whisky of Moorabbin. The Company now markets two wholly-Australian whiskies, 'Bond 7' and 'Gilt Edge,' and we take particular pride in their success. Gilbey's have always taken the view that an Australian whisky can stand on its own feet—like Irish or Bourbon or Rye—selling on its merits as a first class spirit.

This view has been justified. The group brands now provide 38 per cent of the total Australian-distilled whisky market. The export possibilities for Australian whisky (and those for Canadian are already considerable) are being vigorously explored.

Australian successes are by no means limited to whisky, however. Gilbey's Gin remains very strong with more than one third of the Australian market, and Smirnoff Vodka which is here as in many other countries manufactured and sold under a licence from Heublein Inc. is a very rapidly growing product. Two new and promising brands have just been launched by a marketing team recently established under the direction of John Handford. A new Managing Director will shortly take over; Bill Kilby, who has for the last six years been Vice President of the Heublein Company

responsible for the overseas development of Smirnoff Vodka.

Government action has recently given the Australian spirit business a very hard knock; heavily increased taxes have hit hard at imports of Scotch whisky and diverted spending power away from spirits towards beer, which already presents formidable opposition owing to the "tied" nature of the Australian distributive system. A further adverse factor was the recent serious drought which affected New South Wales (the most populous State), Queensland and to a lesser degree other parts of Australia. Some 20 million sheep were estimated to have died and the purchasing power of millions of Australians was drastically reduced. Thus political and natural causes combined to produce a sharp reaction to the artificial boom of the previous year. Forecasting becomes very difficult in these conditions; but all the main group products have shown reassuring stability in the face of severe competition, and the prospects for the future, with strengthened management, more sophisticated marketing techniques and a great deal of Australian originality, are bound to be good.

Capital is flowing into Australia from all over the world to exploit the natural resources of this great Pacific country. Current predictions are that population will have increased from 11 million to 20 million by the 70's. This is certainly a market to grow with.

*All-Australian whisky;
Bond 7 blends malt from
Adelaide with grain
from Moorabbin.*



CANADA IS ONE OF IDV'S BEST LONG TERM INVESTMENTS



The range of Governor General Rums (blended Canadian and West Indian rums) are a great success throughout Canada.



"Canada is one of IDV's best long term investments" maintains Tom Fogden, President of Gilbey Canada Limited.

Thomas George Fogden began his career with Gilbey's in 1924. He worked mainly in the Export Department at home and overseas until 1934 when he was made General Manager of a newly established company in Canada. He has been responsible for some of the most spectacular growths within the group in recent years. He is a Director of IDV, the U.K. parent Company.

As long ago as 1898 Gilbey's were shipping to Canada's eastern ports, Halifax, St. John and Montreal. In 1903 they appointed a Resident Representative—C. Preston Douglas—who took up permanent residence to look

after Gilbey's growing trade, which by this time was from coast-to-coast. R. S. Douglas, Canadian Director of Gilbey's, is his son—a Gilbey man from birth, now Vice President Sales.

In 1933, Preston Douglas recommended, and the Gilbey Board agreed to build a distillery in New Toronto, primarily to distil gin. Since then the Company has expanded seven-fold.

What was a one-product operation now has 49 brands under Gilbey labels. Of course the most famous is Gilbey's London Dry Gin—but it is not the largest. Gilbey's Canadian Whiskies now outsell the Gin products. They have a very famous brand, "Black Velvet" which is popular in all provinces and is a rapid seller in every retail liquor store in Canada. "Black Velvet" is now also a demand item in the U.S.A. but the inventory position does not yet permit full entry into this lucrative market. Nevertheless, the brand is capably handled by our Heublein friends in Hartford. This shortage will soon be corrected when increased matured stocks are available, as the New Toronto plant now has a capacity in excess of two million gallons.

A new five storey rack warehouse is nearing completion. A new modern bottling hall has just been completed and is operating four high-speed lines. Another property with more than five acres immediately north of the plant has recently been acquired and will be integrated into the present complex in 1968.

The present position of Gilbey-Canada remains excellent in a trade which, since 1960, has shown continuous improvement. There have been some provincial price adjustments but no crippling tax increases at federal or provincial level. Retail prices remain reasonable and there is always a modest advantage in "Buying Canadian".

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

The Toronto management has been forward looking and is providing manufacturing, maturing, bottling, and shipping facilities well into the future. In fact, their long-range development for maximum land use at Toronto is already programmed until 1979.

Besides good merchandising, Toronto maintains a small, energetic and enthusiastic sales staff to obtain distribution throughout the country. Staff are trained in the distillery for eventual positions as Provincial or Divisional Managers, and from there on into the administration.

The Provincial monopoly system in Canada has quite a few handicaps to aggressive merchandising and advertising plans. Nevertheless, it has several advantages, principally the orderly pricing systems, multiple warehouse systems and few accounts, who buy in large quantities. This is a system Gilbey's have learned to live with and to profit from.

Brand success has been achieved with Gilbey's Gin, which remains the largest selling brand of any Dry Gin in Canada. The famous "frosted square" is available everywhere, supported by a vigorous and imaginative advertising programme. Other Gin products have also brought great success, notably Gilbey's Collins—a professionally pre-mixed Gin and Lemon drink—which has 76 per cent of this important market.

Governor General Rums have also been most successful. As imported items they had modest sales in some western provinces and as 'Blended in Canada products'—made with Canadian and West Indies rums—they have achieved a great success in all areas, particularly in the traditional rum drinking provinces of the Maritimes. Three different blends—White, Light and Navy—are offered in attractive raffia wrapped bottles.

But the finest jewel in the crown of Canadian Gilbey must surely be "Black Velvet" Canadian Whisky which, in five years, has grown to be the largest selling brand of the Canadian Company.

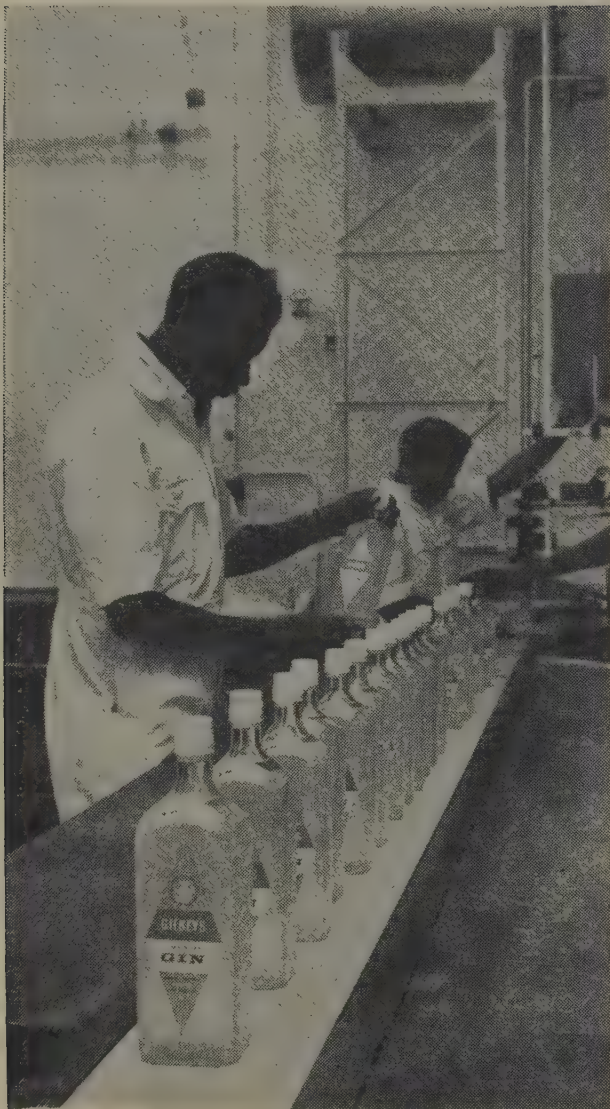
In Canada the word is still 'progress'. Historically, the company has made good profits since its first year of operation. The figures of spirit sales in Canada continue to show healthy increases, as they have since 1959. The health of the Canadian economy generally has contributed to the success of the company and Canada is in the fifth consecutive year of its economic expansion. At the time of writing, there would appear to be some levelling-off in the economy due to labour troubles in several areas, restraints imposed in recent Federal budgets and the stated policy of the government to try to slow down the heavy demands for finance, materials and skilled labour required to continue the boom. In mid-year there are already signs of an economic slow down, a shortage of money and a depressing effect from stock market actions both in Canada and New York. However, most economic indicators point to continued good trade generally, although perhaps not as buoyant and fast moving as it has been in the past three years. In Canada we still have a high rate of employment and a heavy demand for grain and other agricultural products besides basic raw materials. All are available for improving export markets.

In the long term, Canada will be one of IDV's best investments since it is a country which has growth potential, great wealth in primary products, readily accessible export markets, enterprising and industrious people, and lots of room for many more.

Gilbey's Black Velvet Canadian Whisky; established leader of the domestic market and showing promise in the States.



*Gilbey's Gin being bottled
in Nairobi as in 28 other
countries.*



RAPID DEVELOPMENT OF A RICH NEW MARKET

In 1959 the late Arthur Gilbey pointed out to his Board that in East Africa there was a difference between Excise and Custom Duties which would show a saving of about 5s. a bottle on domestically produced spirits. This provided the incentive to start negotiations and shortly afterwards the Kenya Government agreed to issue an exclusive distilling licence for a two year period from the date a Gilbey Distillery should start production. The Nairobi distillery therefore had powerful advantages when it opened in April 1963. The Company now makes and sells Gilbey's Gin and Smirnoff Vodka and acts as agent for other major IDV brands, bottling many of them at the distillery. A promising local venture has been the introduction in 1963 of Richemond Brandy which is produced in association with Jas. Hennessy & Co., Cognac.

This is emergent Africa; it is group policy to be in on the ground *before* the market starts to develop, and this policy seems likely to yield good long term results in East Africa. After just three years of trading, a modest profit has been produced, the major part of which has come from Smirnoff Vodka. This brand was almost unknown in the region until local production commenced but sales are increasing very agreeably. A policy of active brand promotion is being pursued in order to build upon the group's early advantages in this undeveloped but potentially very profitable market.

*Smirnoff Vodka, distilled,
refined and bottled on
the spot, opens up
a new spirit market.*



*Château Loudenne,
centre of IDV wine purchasing,
stands in its own vineyards on
the banks of the river Gironde.*



INTERNATIONAL WINE MARKETING FROM A FRENCH BASE

Château Loudenne was purchased by Gilbey's in 1875 and is situated outside the village of St. Yzens-de-Médoc, some 40 miles north-west of Bordeaux. This 500 acre property overlooks the Gironde river: 100 acres are under vine and the remainder of the land is farmed. For the Group this early investment by Gilbey's is of far greater importance than its productive capacity. In the extremely competitive buying position for the best wines, it has meant that Group buyers in France are within the growers' fraternity.

Even so the vineyards produce a very useful 400 hogsheads (115,200 bottles) of wine each year, composed of equal quantities of red and white. The red wine—recently reclassified as a Grand Bourgeois—is matured in cask at the property and then shipped at the appropriate time for bottling in London. A certain proportion is Château-bottled for other export markets. The white wine is somewhat of a rarity, being amongst the only three or four white wines produced in the Médoc, and is always bottled at the Château.

The chai is one of the largest in the Médoc and is capable of holding up to 10,000 hogsheads with storage space for half-a-million bottles of wine in case. Loudenne not only handles the wine produced from its own vineyards but also acts as a buying centre and entrepôt for all the IDV Group's requirements of Bordeaux wines.

Against this background it was decided to form a French limited company—Gilbey France—in 1963. This Company has now taken over the administration and running of Château Loudenne and all its various activities. The main reason for its formation was to enable sales to be made in France, which under the terms of the Franco-Britannique Act, was impossible



*Vin de la propriété:
Château Loudenne
produces red and
white Medoc under
the Union Jack.*

when the property was run as a branch of the English company.

Until recently the main efforts of the Gilbey France management have been devoted to satisfying the requirements of the IDV Group. This operation has been successful and continuity of supply has now been guaranteed.

The next objective is to increase our share of the market that exists for Bordeaux wines in other countries of the world, particularly in the United States, the United Kingdom and France's partners in the E.E.C. Surveys are also currently being made of the other potential markets for Bordeaux wines in Europe.

With this in mind, Wine Selection (International) Ltd. was formed last year to act as the selling arm of Gilbey France. To date results in the United Kingdom have been satisfactory, particularly when considered against the background of the overall economic position.

Progress has also been made in the United States market and direct shipments have already started from Bordeaux to fulfil promising early orders. A survey of this market has recently been made and the outlook is encouraging.

SWITCH TO BRAND MARKETING PAYS OFF IN IRELAND

*Delivering whiskey
in modern Dublin.*



Gilbey's opened an Irish branch only a year after they were founded in London to service the growing number of customers in that country. They built up a profitable trade, owning shops, supplying wholesale and direct and very early on they reached agreement with John Jameson and Sons for the purchase of Irish Whiskey. Gilbey's own brand of 12 year old Irish Whiskey, "Redbreast" has been the first and so far the greatest sales success of the Irish Company.

At the end of the last war marketing patterns were settling down and the loose combination of retail and wholesale interests was no longer considered to be practicable. The retail interests were disposed of to our associates, Fosters Wine Merchants Limited, and on the 1st September 1959 the transformation to a modern brand marketing house was completed by the establishment of Gilbey's of Ireland Limited.

The new Company started well by acquiring the important agencies for Smirnoff Vodka, Courvoisier Cognac and Cinzano Vermouths. The possibilities of growth for Smirnoff are already powerfully demonstrated, and sales of the other brands on the Company's list show encouraging recent gains. Duty increases in 1966 are bound to slow down the rate of growth, but we are well placed to withstand short term variations of this kind.

*Gilbey's Redbreast
Irish Whiskey
continues to be the
Irish company's
greatest sales success.*



JOINTLY-HELD DISTILLERY DOUBLES ORIGINAL PRODUCTION

New Zealand headquarters.



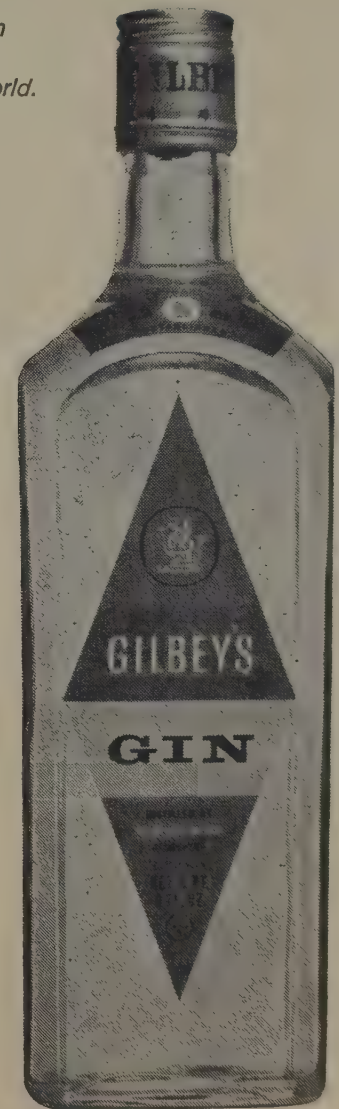
New Zealand was originally supplied from England, and later on when the Australian company was established, from that country. However, in 1953, New Zealand's shortage of overseas funds prompted Gilbey's to set up bottling facilities in New Zealand for products shipped in bulk from Australia and the United Kingdom.

Further worsening of the overseas funds position finally induced the Government to permit a consortium, consisting of Gilbey's, the D.C.L. and Seager's, together with the spirit merchants in New Zealand, to start a grain spirit distillery which became operative in 1961. This made it possible for Gilbey's to distil their gin and Smirnoff Vodka on the spot.

The grain spirit distillery has proved a tremendous success, increasing production from 220,000 gallons in the first year to 503,000 in the last twelve months.

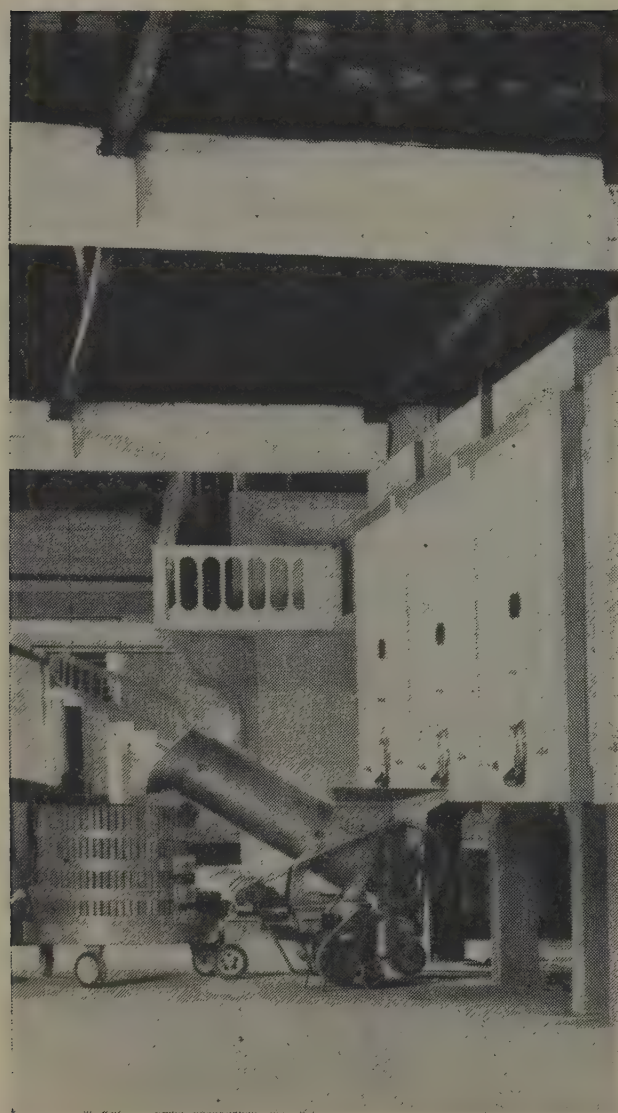
As the Government decided to limit compounding and rectifying licences to three, Gilbey's have taken on their share of manufacturing for other brand owners. The compact production unit, including distilling, compounding, bottling, warehousing and despatch, employs only nine men, but the throughput was close to 100,000 cases last year. Gilbey's of New Zealand is a small operation compared to some of the other group members, but adroit adaptation to special local conditions has made it a very profitable one, with an expectation of further steady growth.

Gilbey's London Dry Gin is now distilled in 29 countries around the world.



CROFT & COMPANY- IDV'S OLDEST MEMBER

*New machinery and
fermenting vats at Granjao
on the Douro.*



Established in 1678 by two British merchants in Portugal, the House of Croft is the third oldest port wine firm in the world. The Company was acquired by Gilbey's in 1908 in order to concentrate their growing purchases of port into the one house. Ever since the 1920's Croft has been amongst the very largest port shippers and the name is world famous for vintage ports of the highest quality. It has been traditional for Gilbey's to market their ports throughout the world under the House name and for Croft & Company to deal mostly in the bulk market when the customer may or may not use the Croft label. However, with the change in world trading patterns which is now becoming evident, buyers are being encouraged to bottle under the Croft brand, and a new pack has been specially developed to encourage this trend. Already the United Kingdom, France, Germany, Spain, Portugal and Italy, as well as some non-European countries, distribute Croft port with the House label. A marketing team has been established in the United Kingdom to supervise and encourage the growth of overseas sales; it has recently been engaged in planning active and successful promotions for the brand in France, which is now the world's largest port market.

In Portugal the sale of unwanted land has paid for the installation of modern production equipment on the Douro. This has considerably reduced the first cost of the wine since the grapes are bought, pressed and fermented in our own production centres at Roeda and Granjao.

Our Quinta da Roeda is generally considered to be one of the finest vineyards in the Douro district.

The 1963 vintage was declared in 1965, and the total of this excellent wine, classified as one of the best of that year, was 666 pipes.

*A special bottle has been
designed for Croft's
growing continental market.*



EXPLOSION IN SOUTH AFRICAN GIN AND VODKA CONSUMPTION

*Die Oude Molen
at Stellenbosch -
head office of
Gilbey-Santhagens.*



Gilbey's first arrived in South Africa as producers in 1950, with the visit of a pilot team to establish a distillery. The distillery was originally designed to produce gin only, and it was decided to aim at an output of 50,000 cases per annum, which was considered highly optimistic. At first, Gilbey's acted purely as producers, and the marketing of Gilbey's Gin was handled by an independent company on an agency basis. Liqueurs were soon added to the Gilbey's range, followed by Squadron Rum and, still later, by Smirnoff Vodka. These, too, were marketed by agents.

Then, in 1961, the firm of Santhagens, the oldest-established producers of brandy in South Africa and bottlers of the famous Twee Jongegezellen range of wines, were appointed to bottle Gilbey's Gin in the Cape Province. In the following year, continuing diversification by Gilbey's involved the purchase of Santhagens. The South African company acquired the name of Gilbey-Santhagens (Pty) Ltd. It was now able to undertake its own marketing, and distribution points were established in all major centres of the Republic.

As expansion continued, a new Gilbey's distillery was opened at Johannesburg, Transvaal, in 1964. Today, Gilbey-Santhagens operate distilleries in South Africa's three largest provinces, and sales of gin alone exceed the "optimistic" 1950 target many times over.

South Africa, although a wine producing country, has one of the highest per capita consumptions of spirits in the world. A recent government decision to make liquor freely available to the African population has created an important new market, and sales of all products have expanded.

The most significant trend of recent years has been the "white spirit explosion". While sales of brandy, the

*Since Gilbey-Santhagens
began to manufacture the
Cinzano range of aperitifs,
sales have grown fast.*



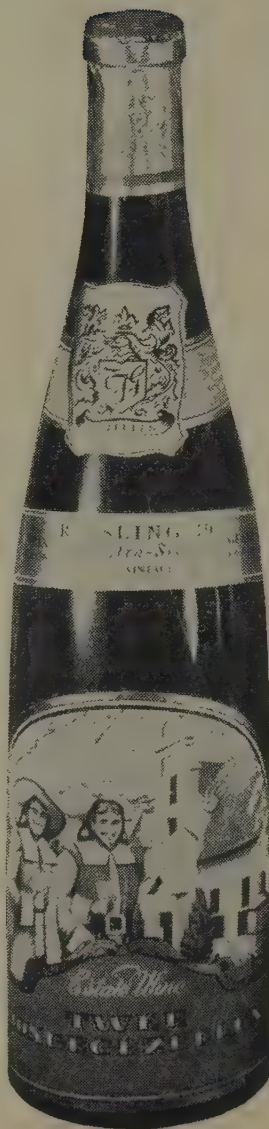
INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

traditional South African spirit, have remained almost static, there have been dramatic increases in the sales of gin, vodka and cane spirit (neutral alcohol distilled from sugar cane, sold as "pure spirit").

With Gilbey's Gin and Smirnoff Vodka, Gilbey-Santhagens have the undisputed brand leaders in two of the three white spirit groups. Following world patterns, sales of vodka—and Smirnoff Vodka in particular—are showing tremendous increases every year. And Gilbey's Gin has retained its number one position in South Africa in spite of growing competition from other brands.

In 1964, Gilbey-Santhagens acquired the production and marketing franchise for Cinzano in South Africa. Acceptance of the locally produced Cinzano has been phenomenally fast, and sales are now several times higher than the best figures ever achieved by the imported product.

The range of Twee Jongegezellen table wines produced by Gilbey-Santhagens include vintage Stein and Riesling wines that have been acclaimed by world connoisseurs. Among major international awards won by Twee Jongegezellen wines were two gold medals at the European Wine Festival in Yugoslavia in 1965 and a gold medal in Italy in 1963. In South Africa, Twee Jongegezellen wines returned to the Cape Wine Festival in 1966, after an absence of several years, and were once again awarded numerous cups and trophies.



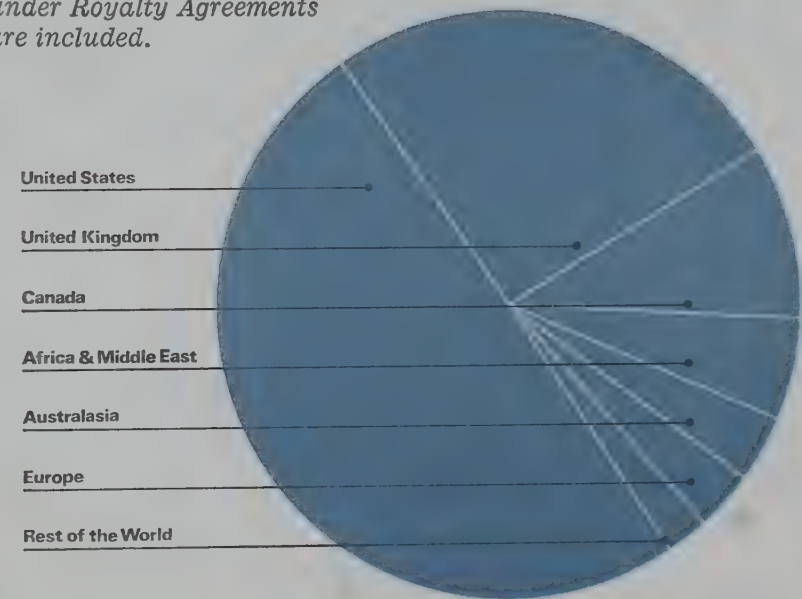
Twee Jongegezellen table wines are popular in South Africa, and win awards at home and abroad.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

**GEOGRAPHICAL ANALYSIS
OF GROUP TRADING
OPERATIONS
EXPRESSED IN PERCENTAGES
OF TOTAL CASE SALES**

Territory	per cent
UNITED STATES OF AMERICA	49.3
UNITED KINGDOM	26.3
CANADA	9.5
AFRICA AND THE MIDDLE EAST	5.7
AUSTRALASIA	3.5
EUROPE	3.3
REST OF THE WORLD (including Far East and South America)	2.4
	<hr/> 100.0 <hr/>

*Sales by Third Parties
under Royalty Agreements
are included.*



INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MAY, 1966

	1966		1965	
	£	£	£	£
GROUP SALES (excluding overseas Sales under Royalty agreements)		46,755,000		41,778,000
TRADING PROFIT		4,054,781		4,012,999
Estimated Profit on increase in duty		25,000		170,000
Provisions made in prior years no longer required		106,774		—
Income from Investments		18,833		18,660
		4,205,388		4,201,659
<i>Deduct:</i>				
Debenture Interest	158,629		161,803	
Loan Interest—7½ per cent Unsecured Loan Stock 1987–92	42,574		—	
Other	4,580		4,629	
Bank Interest and Acceptance Credit Charges	457,816		593,279	
Depreciation	503,749		479,325	
Remuneration of Directors (Note 4)	235,670		230,404	
		1,403,018		1,469,440
PROFIT BEFORE TAXATION		2,802,370		2,732,219
 Taxation (Note 8)		1,197,272		1,119,171
		1,605,098		1,613,048
Proportion of profits (1965 profits less losses) attributable to interests of outside shareholders		33,481		87,502
 PROFIT ATTRIBUTABLE TO INTERNATIONAL DISTILLERS AND VINTNERS LTD (of which £1,228,540 (1965, £738,194) has been dealt with in the accounts of that Company)		1,571,617		1,525,546

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

			1965	
	£	£	£	£
PROFIT ATTRIBUTABLE TO INTERNATIONAL DISTILLERS AND VINTNERS LTD		1,571,617		1,525,546
APPROPRIATIONS MADE AND RECOMMENDED				
Dividends				
6 per cent Cumulative Redeemable Preference Shares	5,490		5,490	
6 per cent Cumulative Second Preference Shares	43,200		43,200	
Ordinary Shares—Interim of 4 per cent paid 6th August 1966	366,604		366,604	
Proposed final of 9 per cent	824,859		824,859	
	<u>1,240,153</u>		<u>1,240,153</u>	
Less Income Tax retained	11,716		510,853	
	<u>1,228,437</u>		<u>729,300</u>	
Debenture Redemption Sinking Fund	2,275		2,275	
Capital Reserve	4,503		120	
		<u>1,235,215</u>		<u>731,695</u>
		336,402		793,851
UNAPPROPRIATED PROFIT BROUGHT FORWARD FROM LAST YEAR		<u>2,112,747</u>		<u>1,318,896</u>
UNAPPROPRIATED PROFIT CARRIED FORWARD				
In the accounts of the Subsidiary Companies	2,402,652		2,066,353	
In the accounts of the Holding Company	46,497		46,394	
	<u>2,449,149</u>		<u>2,112,747</u>	

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

CONSOLIDATED BALANCE SHEET AT 31ST MAY, 1966

	Authorised £	Issued and fully paid £	1965 £	£
CAPITAL AND RESERVES				
Share Capital				
6 per cent Cumulative Redeemable Preference Shares of £1 each, redeemable after 1st April, 1957	91,500	91,500		91,500
6 per cent, Cumulative Second Preference Shares of £1 each	1,000,000	720,000		720,000
Ordinary Shares of 5s. each	10,000,000	9,165,101		9,165,101
	<u>£11,091,500</u>	<u>9,976,601</u>		<u>9,976,601</u>
Capital Reserves				
Share Premium Account (Note 1)	4,897,065		5,015,286	
General (Note 2)	660,692		594,849	
Debenture Redemption Sinking Fund	<u>6,825</u>		<u>4,550</u>	
		5,564,582		5,614,685
Revenue Reserve				
Unappropriated Profit		2,449,149		2,112,747
Total Interest of Members		<u>£17,990,332</u>		<u>£17,704,033</u>

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

	£	£	£	£	1965	£
NET ASSETS						
Fixed Assets						
Freehold and Leasehold Properties, Plant, Motor Vehicles etc. (Note 6)		10,168,700			9,977,622	
Trade Investments, at cost	200,908			190,261		
Less Amounts written off	32,446			24,654		
		168,462			165,607	
			10,337,162		10,143,229	
Current Assets						
Stocks	16,374,104			14,530,544		
Debtors and Prepayments less provision for doubtful debts	6,057,201			5,273,968		
Quoted Investment (Market Value 1965 - £995)	—			1,000		
Cash and Bank Balances—in the United Kingdom	149,853			79,907		
Overseas	136,491			145,797		
		22,717,649		20,031,216		
Less Current Liabilities						
Debenture Interest - gross (1965 - net) (Secured)	68,450			45,674		
Interest on 7½ per cent Unsecured Loan Stock 1987 - 92 - gross	42,574			—		
Trade and Sundry Creditors	4,238,650			4,136,942		
Taxation, including £653,000 Corporation Tax payable 1st January 1968	2,139,194			1,521,710		
Bank Overdrafts—in the United Kingdom	2,676,016			3,885,981		
Overseas	1,748,959			1,723,176		
Acceptance Credits—in the United Kingdom	—			350,000		
Overseas	345,000			400,000		
Dividends declared and accrued - gross (1965 net)	386,892			227,299		
Proposed Dividend on Ordinary Shares - gross (1965 net)	824,859			484,605		
		12,470,594		12,791,387		
Net Current Assets		10,247,055		7,239,829		
Less Provision for Pension Fund - Past Services		317,558		334,306		
			9,929,497		6,905,523	
			20,266,659		17,048,752	
Less Loan Capital (Note 7)			6,120,868		3,155,866	
Net Tangible Assets			14,145,791		13,892,886	
Add Goodwill and Cost of Control of Subsidiary Companies Less amounts written off (Note 3)			5,405,820		5,425,145	
			19,551,611		19,318,031	
Less Interest of outside Shareholders in Subsidiary Companies			1,561,279		1,613,998	
Total Net Assets			£17,990,332		£17,704,033	

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

BALANCE SHEET AT 31ST MAY, 1966

CAPITAL AND RESERVES

	Authorised £	Issued and fully paid £	£	1965 £
Share Capital				
6 per cent Cumulative Redeemable Preference Shares of £1 each redeemable after 1st April, 1957	91,500	91,500		91,500
6 per cent Cumulative Second Preference Shares of £1 each	1,000,000	720,000		720,000
Ordinary Shares of 5s. each	10,000,000	9,165,101		9,165,101
	<u>£11,091,500</u>	<u>9,976,601</u>		<u>9,976,601</u>

Reserves

Capital Reserve—Share Premium Account (Note 1)		4,897,065		5,015,286
Unappropriated Profit		46,497		46,394
		<u>£14,920,163</u>		<u>£15,038,281</u>

Interest of Members

NET ASSETS

Fixed Assets

Leasehold Property, Furniture and Fittings (Note 6)		146,171		147,401
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Subsidiary Companies

Shares at Cost	14,824,624		14,930,387	
Amounts owing by Subsidiaries	6,974,313		5,197,734	
	<u>21,798,937</u>		<u>20,128,121</u>	
Less Amounts owing to Subsidiaries	—		1,941	
		21,798,937		20,126,180

Current Assets

Income Tax recoverable and sundry debtors		176,322		306,254
		<u>22,121,430</u>		<u>20,579,835</u>

Deduct: Current Liabilities

Bank Overdraft	2,770,552		4,552,857	
Sundry Creditors	176,390		276,793	
Interest on 7½ per cent Unsecured Loan Stock 1987–92—gross	42,574		—	
Dividends declared and accrued—gross (1965 net)	386,892		227,299	
Proposed Dividend on Ordinary Shares—gross (1965 net)	824,859		484,605	
		<u>4,201,267</u>		<u>5,541,554</u>

Less 7½ per cent Unsecured Loan Stock 1987–92		17,920,163		15,038,281
		<u>3,000,000</u>		<u>—</u>

H. C. B. BERENS }
F. F. G. HENNESSY } *Directors.*

Net Assets		<u>£14,920,163</u>		<u>£15,038,281</u>
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INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

NOTES ON THE ACCOUNTS AT 31ST MAY, 1966

1. CAPITAL RESERVE – SHARE PREMIUM ACCOUNT

	£	£	£
Balance 31st May, 1965			5,015,286
<i>Deduct:</i> Discount on Loan Stock Issue		75,000	
Expenses of Loan Stock Issue		43,221	
		<u>118,221</u>	
Balance 31st May, 1966			<u>£4,897,065</u>

2. CAPITAL RESERVE – GENERAL

Balance 31st May, 1965		594,849
Add: Profit on sale of Properties (other than those revalued in 1965)		49,281
Profit on sale of Trade Investment		2,160
Profit on Exchange		9,643
Transfer from Profit and Loss Account		4,503
Sundry Adjustments		256
		<u>£660,692</u>
Balance 31st May, 1966		

3. GOODWILL AND COST OF CONTROL OF SUBSIDIARY COMPANIES

	1966	1965
Goodwill and Cost of Control of Subsidiary Companies	7,162,755	7,150,856
<i>Deduct:</i> Unrealised surplus on revaluation of Freehold Properties in 1965	1,694,187	1,725,711
Realised profits on revalued Freehold Properties sold	<u>62,748</u>	<u>—</u>
	1,756,935	
	<u>£5,405,820</u>	<u>£5,425,145</u>

4. DIRECTORS' REMUNERATION

Fees as Directors	2,442	1,509
Salaries and other remuneration as executives, including pension contributions	233,228	228,895
	<u>235,670</u>	<u>230,404</u>
	391	391
Pension Fund contribution charged to Past Service Provision	<u>£236,061</u>	<u>£230,795</u>

5. AUDITORS' REMUNERATION

Auditors' Remuneration charged against trading profit amounts to:		
for the Company	£500	£500
for the Group	£22,248	£21,163

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

NOTES ON THE ACCOUNTS AT 31ST MAY, 1966

continued

6. FIXED ASSETS

COST OR VALUATION

	At 31st May, 1965	Additions	Disposals	At 31st May, 1966
The Company	£	£	£	£
Leasehold Property at Cost	94,818	5,372	—	99,690
Furniture and Fittings at Cost	60,583	1,502	—	62,085
	<u>£154,901</u>	<u>£6,874</u>	<u>—</u>	<u>£161,775</u>
1965	<u>£99,227</u>	<u>£55,674</u>	<u>—</u>	<u>£154,901</u>
The Group				
Freehold property, at professional valuation in 1965	3,854,264	—	170,404	3,683,960
Freehold property, at cost	1,545,176	283,742	3,145	1,825,773
Leasehold property, at cost or net book value in 1948	1,830,957	97,324	7,626	1,970,655
Plant, Motor Vehicles, etc., at cost or net book value in 1948	4,596,180	575,139	227,842	4,943,477
	<u>£11,876,677</u>	<u>£956,205</u>	<u>£409,017</u>	<u>£12,423,865</u>
1965	<u>£10,719,374</u>	<u>£2,077,860</u>	<u>£920,557</u>	<u>£11,876,677</u>

Leasehold properties include properties, the leases of which have over 50 years to termination, of:
the Company £95,954 (1965: £92,518) the Group £1,501,027 (1965: £1,405,316)

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

DEPRECIATION AND AMOUNTS WRITTEN OFF

NET

At 31st May, 1965	On Disposals	Provided in the Year	At 31st May, 1966	1965	1966
£	£	£	£	£	£
1,800	—	1,936	3,736	92,518	95,954
5,700	—	6,168	11,868	54,883	50,217
<u>£7,500</u>	<u>—</u>	<u>£8,104</u>	<u>£15,604</u>	<u>£147,401</u>	<u>£146,171</u>
—	—	<u>£7,500</u>	<u>£7,500</u>	<u>£99,227</u>	<u>£147,401</u>
—	—	35,078	35,078	3,854,364	3,648,882
222,677	313	21,455	243,819	1,322,499	1,581,954
106,429	7,449	29,063	128,043	1,774,528	1,842,612
1,569,949	139,877	418,153	1,848,225	3,026,231	3,095,252
<u>£1,899,055</u>	<u>£147,639</u>	<u>£503,749</u>	<u>£2,255,165</u>	<u>£9,977,622</u>	<u>£10,168,700</u>
<u>£1,629,826</u>	<u>£210,096</u>	<u>£479,325</u>	<u>£1,899,055</u>	<u>£9,089,548</u>	<u>£9,977,622</u>

The surplus on revaluation of Freehold properties in 1965 has been applied in reduction of Goodwill and cost of control of subsidiary companies (Note 3).

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

NOTES ON THE ACCOUNTS AT 31ST MAY, 1966

continued

		1966	1965
		£	£
7. LOAN CAPITAL			
Secured			
	4½ per cent Perpetual Debenture Stock	978,750	978,750
	4½ per cent Second Debenture Stock 1970-75	400,000	400,000
	6½ per cent Second Debenture Stock 1981-86	1,000,000	1,000,000
	4½ per cent Redeemable Guaranteed Debenture Stock 1979-84	171,500	175,000
	5½ per cent Debenture repayable by instalments 1963-69	296,091	370,113
	7 per cent Debenture Stock 1977	117,218	118,134
	6 per cent Debentures - not redeemable before 1967	16,000	16,000
	7 per cent Debentures - not redeemable before 1967	16,000	16,000
	Loans	37,339	46,519
Unsecured			
	7½ per cent Unsecured Loan Stock 1987-92	3,000,000	—
	Loans	87,970	35,350
		<u>£6,120,868</u>	<u>£3,155,866</u>
8. TAXATION			
On the Profits of the year:		£	£
United Kingdom Taxes			
Corporation Tax at 40 per cent		660,882	803,022
Less Income Tax retained on Interest paid (1965 recoverable)	18,182		185,048
Double Taxation relief	<u>6,869</u>	<u>25,051</u>	<u>6,059</u>
			191,107
Overseas Taxes		<u>635,831</u>	<u>611,915</u>
		629,725	536,322
		<u>1,265,556</u>	<u>1,148,237</u>
Less over provisions in previous years		68,284	29,066
		<u>£1,197,272</u>	<u>£1,119,171</u>

Investment allowances amounting to £46,000 (1965 £118,000) have been deducted in computing the charge for taxation.

9. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

(a) Commitments for Capital Expenditure by the Group	£375,000	£300,000
(b) Contingent Liabilities in respect of Guarantees		
The Company in respect of borrowings of certain of its Subsidiaries	£536,000	£524,000
The Group	£24,000	£75,000

10. OVERSEAS COMPANIES

(a) Current Assets and Liabilities in foreign currencies have been converted into sterling at rates ruling at 31st May, 1966. Fixed Assets in general have been converted at rates ruling at dates of acquisition or revaluation.

(b) To meet the requirements of local legislation the accounts of two overseas subsidiaries have been made up to 31st December, 1965.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

REPORT OF THE AUDITORS

TO THE MEMBERS OF INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

We have examined the balance sheet on page 18 which is in agreement with the books of account and have obtained all the information and explanations which we considered necessary for our audit. Proper books of account have been kept.

We have also examined the consolidated balance sheet and consolidated profit and loss account on pages 14 to 17. The accounts of certain subsidiaries have been audited by other auditors.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes on pages 19 to 22 comply with the requirements of the Companies Act, 1948, and give a true and fair view of the state of the Company's affairs at 31st May, 1966, and so far as concerns the members of the Company a true and fair view of the state of affairs and of the profit of the Group.

TURQUAND, YOUNGS & CO.,
Chartered Accountants.

INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

PARENT COMPANY: INTERNATIONAL DISTILLERS AND VINTNERS LIMITED

United Kingdom and Ireland Subsidiaries

Gilbeys Ltd

with its subsidiaries **W. & A. Gilbey Ltd**

with its subsidiaries



James Catto & Co Ltd

Croft & Co Ltd

Sodastream Ltd

Wine Selection (International) Ltd

United Vintners Ltd—65% Shareholding

with its subsidiaries

Leverett & Frye Ltd

Fosters Wine Merchants Ltd

with its subsidiaries

D. Cameron & Co Ltd

Peter Dominic Ltd

Hunter & Oliver Ltd

Lawrences (Leeds) Ltd

Morgan Furze & Co Ltd

Osborne & Son Ltd

Edward Roche Ltd

R. Rowson & Sons Ltd

Edward Rutland & Son Ltd

W. Walklate Ltd

Gilbeys of Ireland Ltd

Gilbey Twiss Ltd

Justerini & Brooks Ltd

with its subsidiary **Chalié Richards & Co Ltd**

Justerini & Brooks (Overseas) Ltd

Corney & Barrow Ltd

with its subsidiaries **W Coates & Co Ltd**

and **J H & J Brooke Ltd**

City Cellars Ltd

Julian & Trower Ltd

Twiss & Brownings & Hallowes (Export) Ltd

Overseas Subsidiaries of Gilbeys Ltd and W & A Gilbey Ltd

W & A Gilbey (East Africa) Ltd—51% Shareholding

W & A Gilbey (South Africa) (Pty) Ltd

with its subsidiaries **R Santhagens Cape (Pty) Ltd and**

Gilbey-Santhagens (Pty) Ltd

W & A Gilbey (Canada) Ltd

with its subsidiaries **Ste Pierre Smirnoff Fils (Canada) Ltd**

Eighteenth Street Warehousing Ltd

Gilbeys Australia Pty Ltd

Horndale Distillery (Pty) Ltd (Australia)

Milne & Co (Pty) Ltd (Australia)

Gilbeys New Zealand Ltd

Croft & Co Lda (Portugal)

Gilbey-France S à R L (France)

Unless otherwise stated all subsidiary Companies are wholly owned

